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THE INCOME APPROACH TO EXTENSION PROGRAMS*

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The price history of this country since 1896 is the basis for a very real set of reasons for emphasizing the income approach. From 1896 to 1920 the general direction of prices was upward. During part of this period prices rose with great rapidity; Many changes were taking place.

Years ago a farmer produced practically all that his family used; fruits and vegetables, grain for flour, meat products, and all the things which went into the diet, as well as the fibers which made many of the clothes. The quantity and variety of things which were produced on the farm definitely established the standard of living on that farm. It was in this period of rising prices, from 1896 to 1920, that the last stages of this self-sufficient type of agriculture died out and the commercialized system was fully developed.

During this period of rising prices all emphasis was placed on production and how to produce. A larger volume of goods to sell, with an increasing price level, meant greater returns. It was only natural that all emphasis should be placed on the technique of how to produce more: Proper fertilization, control of diseases and insects, new varieties that gave larger yields, better methods of cultivation, the use of improved equipment, were the watchwords in agriculture. Educational agencies, such as our colleges, were pressed with demands to answer questions such as these.

Along with this came the development of specialization. Men began to do what they could do most efficiently as compared with men in other regions. If a territory was particularly well adapted for fruit or vegetable growing, the farmers in that territory became specialists in this type of agriculture. They depended upon the farmers in other areas which were especially adapted for grain, dairy products, meats, etc., for those products, and interchange of products became the rule and not the exception.

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Exchanging products meant the development of marketing. Thus our intricate marketing system came into being, along with specialization. More and more persons have become employed in distribution. We find that the number of persons actually engaged in agricultural production has shown a relative decline while the number engaged in distribution has been maintained or increased. This has meant that the cost between the producer and consumer has constantly mounted as exchange of products has become universal, as shipping distances have increased, as warehouse and storage facilities have allowed a year-round supply of most farm products. Thus hand in hand with specialization has grown one of the most serious problems which agriculture has to face - an increasing cost of marketing.

Before the development of specialization and marketing, there was little need for credit. Today the proper use of credit may mean the difference between success and failure. The modern farmer must have money to purchase his farm, to buy the expensive machinery which is used in up-to-date production. He must have money to finance the marketing of his product from the time of harvest until it is finally paid for by the middleman to whom he sells. Thus the need for credit has grown rapidly with this change in agriculture.

Out of all this came the intensive need for cash. In the early system there was little exchange and so money was of minor importance. The farmer produced and developed the things which his family needed. Now he must buy the larger share of them. In addition he demands good roads, an automobile, more protection, better schools, and a myriad of services from his local, State, and national governments. Farmers' organizations have been the leaders in the development of State police forces and of consolidated schools in many areas. All these services mean taxes and the demand for money. Thus the emphasis has been shifting from the quantity and variety of products grown on the farm to the amount of cash that can be obtained with which to buy the products and services that the modern farm does not produce and does demand.

The effects of all these changes were minimized as long as prices were rapidly rising. Credit costs were easily met. Costs of marketing seemed relatively small. Taxation and all other demands which developed with the commercial system of agriculture were met with comparative ease.

Since 1920 the major changes in the general price level have been markedly downward. While prices were rising the watchword was -- how to produce. Since prices have been falling, greater production has not been accompanied by greater income in many instances. Often the larger the farm business the less the net income received. Specialization has appeared to be a handicap. The great costs of marketing which have accompanied specialization have not fallen as have the prices for agricultural commodities. The farmer found that marketing costs exceeded the costs of production. The need for credit did not become less, but increased with the severity in price drops. Farm incomes were so low that additional credit was needed to run from year to year. Taxation did not fall as did farm prices, and so the need for cash became increasingly great with the intensity

of the fall of farm prices. Has it been any wonder then, that the farmer in his thinking has changed his demands from how to produce to the demand of how to get a net cash income? We must ask ourselves seriously if we have changed our programs and our thinking in line with the changes which have affected the farmer so drastically.

If we turn to the facts on net farm income, we find that for the northeastern section of the country, reports from nearly one thousand farms in 1934 show that 60 percent of them received less than \$1,000 a year on which to meet this new demand for cash for such things as credit, taxes, and the like. Thirty-eight percent received less than \$500; and 13 percent of the farms reporting had no net cash income. With the demand on one side for things which only cash will buy, and with the pitifully small net incomes on the other side, is it any wonder that emphasis is being placed on greater net income?

As extension workers, meeting to examine our work and be introspective, can we not be somewhat critical without being judged unfair? Examination of some of the things we have been doing may lay a foundation for advancement. May a few examples of ignoring the income be cited?

The agricultural economist, a specialist in marketing who advocated a system of selling farm produce which increased the costs of marketing, but which gave no evidence of increasing the price which might be expected for the produce. If the selling price was not increased, then the higher marketing costs had to come out of the grower. There could be no increased income to farmers under such conditions.

The farm management specialist, who advocated diversification of enterprises because it often was good management, but with no certainty that it would add to the income in the area where advocated.

The sociologist who set up a model community, spending much time in planning streets, modern house equipment, schools, churches, etc., but who forgot to provide any means of employment and therefore any means of obtaining an income to support these homes and facilities.

The dairy specialist who advocated a high butterfat breed in a milkshed where the butterfat differential used in paying the commercial producers would not cover the additional costs which occur in producing a high butterfat milk.

The agricultural engineer who thought in terms of "a beautiful barn", ignoring the greater cost and therefore the demand for credit and the increase in all overhead items. As some extension men have put it, ignoring the "dirty five" which will defeat any farmer if they are ignored. The dirty five is spelled, D-I-R-T-I -- the "D" meaning depreciation; the "I" meaning interest; the "R" meaning repairs; the "T" meaning taxes; and the other "I" meaning insurance. In periods of rising prices too great an investment is much less serious, since the men who build later find costs higher and so the mistake is minimized. When prices are falling the reverse

is true. The men who build later find costs lower and so the mistake is emphasized.

There have been campaigns to grow alfalfa in areas where increased roughage was needed but in which the costs of growing alfalfa have been so high that there was no possibility of its improving the net income.

All of us could multiply illustrations in which the effect upon net income has not been given serious consideration in drawing up the project. In this connection we should remember that many of us received our training during the period 1896 to 1920, and those of us who did not, have generally been taught by someone who did. Our training, therefore, may have been based entirely upon the conditions prevailing when the price level was rising, and the effects of these sweeping changes were not apparent. It is you and I who must be sure we have made the adjustment to meet the new situation. Businessmen who have not made this adjustment have gone into bankruptcy. Many cooperative managers have not weathered the storm that has gone with the drastic readjustment. A director of extension has said that we, as educational workers, should make this adjustment or we also should lose our jobs. That is a drastic statement, but it is true that if we are still thinking in terms of 1896 to 1920, we are not yielding our full influence.

There is often objection to the income approach. People find it repulsive because it deals in terms of dollars and cents. It is argued that there are many things which go to make up the standard of living other than just the income which the farmer makes. Though there is much truth in this, most programs will be benefited, because they will be more helpful to farmers, if they are analyzed in the light of net income.

Projects such as that for "live-at-home" need to be analyzed in the light of net income. For example, is it sound to carry the live-at-home program to the point where home economists, as some are doing, suggest a dozen apple trees for home use? If that is sound, then we must ask the question: Why is there almost complete abandonment of orchards which were the home orchards of a few years ago? There are the neglected, decaying, dying trees, as mute evidence that something has changed. Most horticulturists and most students of this problem will tell you that a dozen trees demand a very high cost per unit of harvest for equipment for spray materials, and cannot be treated with the skill which the specialized commercial orchardist has to develop. The result has been that the commercial orchardist has placed better apples at a lower price on the doorsteps of farm homes than could be obtained from the small home orchards. The result has been the neglect of such orchards. Is it sound that we should, in the face of this, recommend such a development? It will mean less income in most localities than can be obtained from doing the farm work for which that region is especially adapted. We must have evidence that the long-time trend which has resulted in the abandonment of these orchards is definitely changed before we advocate such a project.

Taking this one step further, wheat has been advocated as a means

of live-at-home. Think of the man who has no other wheat than the 8 or 10 bushels which his family may use in the shape of flour, cereal, etc. How much will it cost him to grow his 8 or 10 bushels? Where will he have it threshed? At what cost will it be hauled to the threshing machine? What is the cost to haul it to the mill and then back to his home again? It is almost certain that the return for the long hours necessary to do this little job will be exceedingly small, and almost any type of commercial work will pay better. This is completely ignoring the changes which have gone with specialization, commercialization, and the things which have brought the housewives out of the drudgery of 16 hours a day. There are cases, which have been numerous since 1930, where such suggestions would be helpful. When people have no source of income they had better do anything which will yield a return rather than loaf. On small farms where the available labor is not kept busy, such suggestions may increase the incomes since the issue is a very small return or nothing. In general, as the depression ends and there is more work to be done, the soundness of such suggestions becomes more and more doubtful. Let us be certain that our recommendations do not mean a smaller income than could be gained from something else.

We may become convinced that the income approach is correct, but we may still fail if the income problems are decided in a central office far from the actual problems of the farmer. It is necessary to have definite information on farms from farmers to check what may be our own opinions. Recently a very concrete illustration of the results of not checking with the actual farm situation came to my attention. Though it is not an income illustration it certainly is an illustration of the lack of determining the problems. An extension worker decided that the job to be done was to improve the water equipment and toilet facilities in the farm homes in the State. The first meeting held on this subject was in a county which boasted a modern city. Everyone at the meeting had had such facilities for a number of years. The meeting was worse than useless, reflecting both upon the worker and extension work. The second meeting was held in an area where all who attended were renters and would have been glad to have such facilities but there was no possibility of these renters improving the landlord's property, and so again the program did not fit the farm problem.

The decisions as to what the income problems are must be based upon definite information which shows the actual situation and the needs of the farms.

The final step is coordination among specialists. This is not difficult if the income problems are made clear and are thoroughly understood. It is difficult for one specialist to step on the toes of another if each one is teaching material which will add to the farm income. Accepting the income approach and definitely determining the problems which most affect income lead to fairly ready coordination. There is a State in our northeastern group in which two specialists a few years ago found themselves at loggerheads. One was certain that he had the income approach and the other was certain that he had hold of problems which would definitely

benefit the farmer's net returns. But the two programs clashed at many points. The feeling between the two men became so intense that they were holding competing meetings in which, though it was not definitely stated, one specialist was calling the other a false prophet and each was attempting to offset the work of the other. Such a situation must be disgusting to better farmers, and certainly holds nothing for the development of the Extension Service and the standing of extension workers. Today in that same State the dairy specialist, the agronomy specialist, the agricultural engineer, the marketing specialist, and the farm-management specialist, can sit down together, take their farm information which is factual information from the field, rather than their opinions, and decide upon a program in which each man knows just what the other is doing, sees its effect upon the income of the farmers involved, and respects the work of the others.

That is a definite illustration of the shift from lack of coordination to a coordination on problems and income approach. The basis for it is factual material which definitely shows what the income problems are. Under the first program the extension service in that State was bound to lose. Under the present program it seems equally sure that educational work with farmers will move forward rapidly to the benefit of farmers and of extension workers.

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The Income Approach to Extension Programs

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